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CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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SUMMARY

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2. Soviet goals for retail trade raised sharply:

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[REDACTED] A Soviet decree of 23 October outlines specific measures for fulfilling Malenkov's promise in March of additional consumer goods this year and for equally large absolute additions in the following two years. In place of the increase in retail sales from roughly 300 billion rubles in 1950 to about 510 billion in 1955 under the original Five-Year Plan, the government now calls for sales of some 600 billion by that year.

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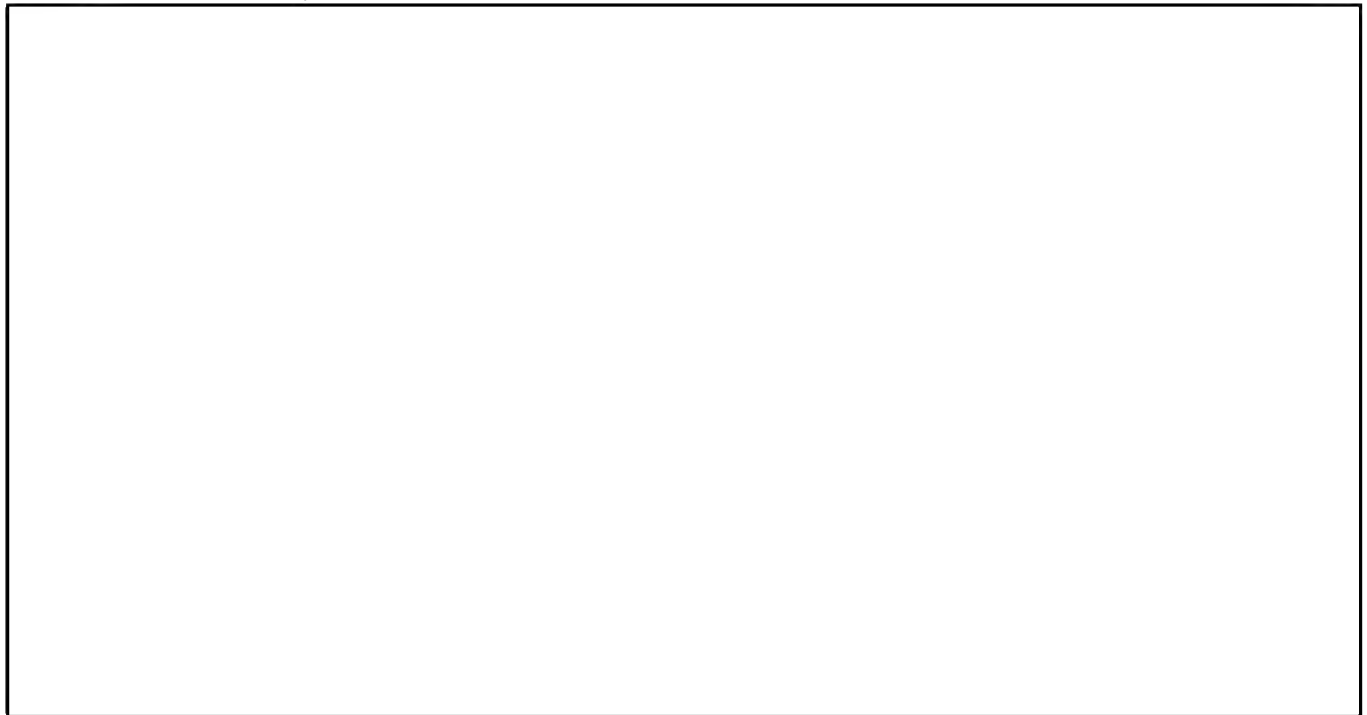
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The new plan also calls for an intensified program for construction of retail outlets. In 1954, department stores in many towns and industrial communities are to be opened, and between 1954 and 1956, 23,000 new retail establishments are to be put into operation in the rural areas.

The effort involved in constructing and staffing the new trade establishments, in conjunction with that already required by the programs for sharp increases in agricultural and consumer goods production, necessitates a substantial reallocation of resources within the Soviet economy.

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WESTERN EUROPE

4. Neo-fascist party may attempt to provoke Trieste clash:

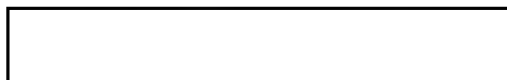
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The police have been alerted to the possibility of serious trouble in Zone A of Trieste around 3 November, the anniversary of the

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entry of Italian troops into Trieste in 1918. The neo-fascist Italian Social Movement (MSI) is reportedly collecting arms and organizing action squads for attacks on Slovenes in an effort to incite Yugoslav military intervention and cause clashes between the Yugoslavs and Anglo-American occupation forces.

Comment: The MSI and other Italophile parties fear that implementation of the Anglo-American decision of 8 October might lead to a permanent split of Trieste, thus jeopardizing Italy's other territorial ambitions in Zone B.

The MSI is in a strong position to create disturbances because of its infiltration of the Trieste police, and has in the past demonstrated its ability to foment disorders and riots.

✓ 5. Britain and France threaten to renege on Austrian treaty policy:

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At a tripartite meeting in Paris on the proposed Lugano conference, Britain and France indicated that they are "disinclined" to support a determined Western effort to revise Article 35 of the long draft Austrian treaty.

The British delegate stated that London would nevertheless abide by the previous agreement on this question if the US would agree to formal withdrawal of the short treaty proposal. The French delegate argued that the West must try to block any Soviet proposal for Austrian neutralization and should therefore offer to sign the long draft treaty as it now stands.

Comment: American agreement to discuss the long rather than the short draft has been based on British and French willingness to support efforts to revise it. The Austrians, however, have stated that they would prefer even an onerous treaty to additional delay, and the British and French fear that Vienna would regard further insistence on better terms as obstructionist.

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✓ 6. Conant believes US intervention may be necessary for early Saar settlement:

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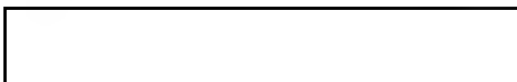
Ambassador Conant reports that the French-West German discussions preliminary to Adenauer-Bidault negotiations on the Saar will be deferred at least until late next week. He fears that new problems may arise if the negotiations are further delayed and believes that "more vigorous steps" by the United States may be necessary to effect an early agreement on the Saar.

Comment: Chancellor Adenauer was unable to proceed with the negotiations until his new cabinet was established on 20 October. Recent statements by him suggest that he feels the French government may be under greater pressure to compromise early next year than in November.

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